

18 August 2021

Eyeopener

Market nervous, dollar stronger

US retail sales miss, however industrial production beats
 The dollar strengthened in the afternoon, EURPLN relatively stable
 Core market yields temporarily lower during the day
 Today Polish wages and employment data, FOMC minutes (July meeting)

For most of the Tuesday session market mood was negative, leading to a further decline of core market yields and stock indexes. The source of the worries was, among others, more regulations of technology sector in China and more pandemic restrictions (expanded area and extended time of Japanese lockdown, restrictions imposed in New Zealand). The main morning release of yesterday, the second estimate of Eurozone 2Q GDP, proved market-neutral (confirmation of a 2.0% q/q rebound). We also got information that in 2Q the recovery caused Eurozone employment to go up by 0.5% q/q. In the afternoon US data appeared that changed the market sentiment. While in July the US retail sales fell m/m more than expected (by 1.1% instead of 0.2%) the market saw that the soft print was caused to a large extent by autos (sales growth excluding this category was -0.4% m/m) and e-commerce while e.g. more money was spent in restaurants again (+1.7% m/m vs. +2.4% in June). What is more, the US industrial output rose in July by 0.9% m/m and not by 0.5% expected by the market (the manufacturing sector alone had output growth of 1.4% m/m) despite further difficulties of the automotive industry to acquire semiconductors. The final hours of the European session were marked by a reversal of the earlier fall of yields. This was also when EURUSD started to decline quickly with the move reaching 0.5% d/d.

Polish government responded to the European Commission regarding the Supreme Court's Disciplinary Chamber, but it is not clear whether the conflict will end at this stage. In the reply Poland suggested it plans to dismantle the Disciplinary Chamber in its current form, at the same time signalling that in the light of the Poland's Constitutional Court's verdict the CJEU has no right to impose penalties for not fulfilling its the verdicts on the judiciary system.

According to the DGP daily the energy companies are planning to put forward tariff motions to the URE (Energy Regulatory Office) with prices higher by 20-30%, which means that final costs of energy for households could rise by 10-15%. Such a scale of price hikes **could add 0,5-0,8pp to CPI inflation in 2022.**

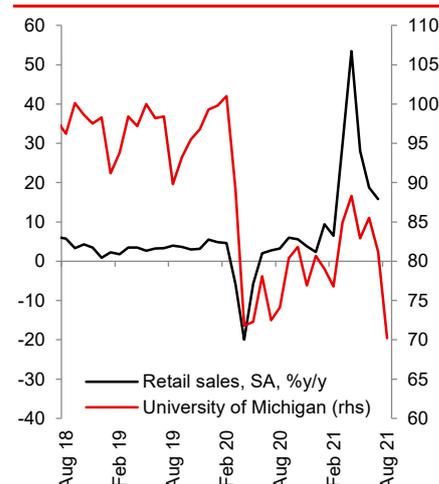
EURUSD stayed close to 1.177 for the better part of the day, but in reaction to the US data moved down towards 1.171 at the end of the day. March local minimum at 1.1725 was already broken and the next support after 1.17 is at 1.162.

EURPLN was moving more or less in in the previous day range and managed to move slightly higher in the middle of the session. At the end of the day the pair was at Monday's opening level (4.5650). The market is still worried about global economic prospects and the dollar appreciated and this suggests that the zloty could lose in the upcoming days.

As for the other CEE currencies: EURCZK again moved slightly higher (the daily rise was just 0.1%). EURHUF descended to around 351 intraday, the last time it managed to hold at this level was in early July. The descent was supported by surprisingly strong 2Q GDP rebound (17.9% y/y vs. 16% expected; +2.7% q/q). USDRUB continued to rise slowly and reached 73.5 at the end of the day. Today in Russia PPI will be out and the market awaits 27.8% y/y (and 2.9% m/m).

On the Polish fixed income market the bond yield curve moved lower by 1bp, similarly to IRS curve (except the latter was stable in the short end). Just like in the core markets, rates went down during the day more clearly, but temporarily. 10Y UST yields and Bund yields decreased during the session by 6bp and 2-3bp, respectively, but in the afternoon they reversed almost all of earlier declines. At Thursday's bond switching auction the Ministry of Finance plans to offer bonds OK0423, PS1026, WZ1126, WZ1131 i DS0432 and buy back DS1021, PS0422 i OK0722. Today the NBP will hold bond purchase auction.

US retail sales and consumer sentiment



Source: Bloomberg, Santander

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FX market

Today's opening			
EURPLN	4.5613	CZKPLN	0.1791
USDPLN	3.8947	HUFPLN*	1.2853
EURUSD	1.1717	RUBPLN	0.0531
CHFPLN	4.2288	NOKPLN	0.4400
GBPPLN	5.3483	DKKPLN	0.6122
USDCNY	6.4823	SEKPLN	0.4492

*for 100HUF

Last session in the FX market						17/08/2021
	min	max	open	close	fixing	
EURPLN	4.557	4.572	4.561	4.563	4.569	
USDPLN	3.871	3.899	3.875	3.896	3.880	
EURUSD	1.171	1.178	1.177	1.171	-	

Interest rate market 17/08/2021

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	0.46	-1
DS0726 (5Y)	1.09	-1
DS0432 (10Y)	1.72	-1

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.52	1	0.16	0	-0.54	0
2L	0.86	1	0.31	2	-0.49	1
3L	1.10	-1	0.52	1	-0.46	0
4L	1.27	-1	0.70	0	-0.42	0
5L	1.39	-1	0.85	1	-0.37	0
8L	1.58	-1	1.13	0	-0.22	0
10L	1.68	-1	1.26	1	-0.10	0

WIBOR rates

Term	%	Change (bps)
O/N	0.09	-1
T/N	0.10	0
SW	0.10	0
2W	0.16	0
1M	0.18	0
3M	0.21	0
6M	0.25	0
1Y	0.34	1

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	0.24	0
3x6	0.41	0
6x9	0.62	0
9x12	0.83	-1
3x9	0.49	1
6x12	0.72	0

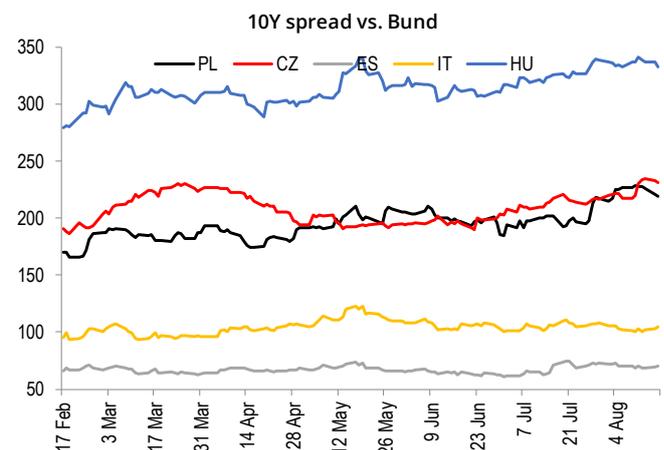
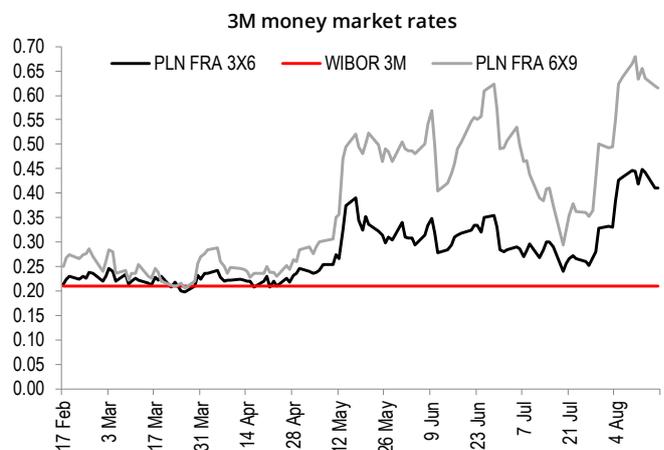
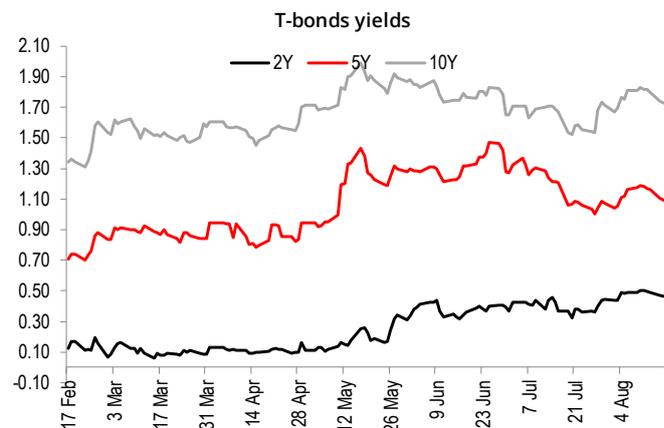
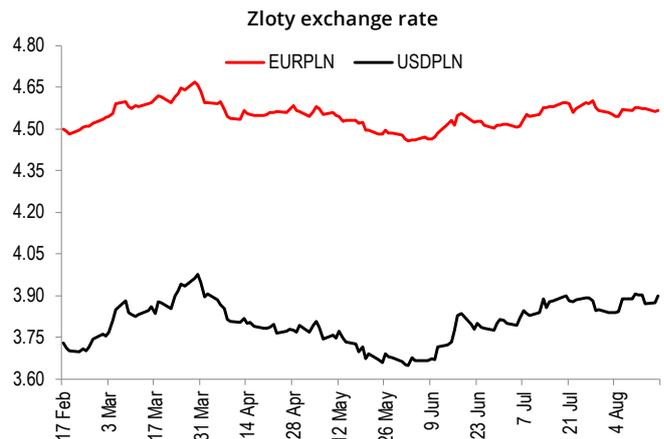
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	46	0	219	-2
France	9	0	35	0
Hungary	55	0	333	-4
Spain	30	0	71	1
Italy	43	0	104	1
Portugal	21	0	59	1
Ireland	11	0	39	-1
Germany	8	0	-	-

* 10Y treasury bonds over 10Y Bunds

**Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream



Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD		FORECAST		ACTUAL VALUE	LAST VALUE*
					MARKET	SANTANDER		
FRIDAY (13 August)								
10:00	PL	CPI	Jul	% y/y	5.0	5.0	5.0	5.0
10:00	PL	GDP	2Q	% y/y	10.7	10.6	10.9	-0.9
14:00	PL	Current Account Balance	Jun	€mn	456	76	281	129
14:00	PL	Trade Balance	Jun	€mn	848	869	761	185
14:00	PL	Exports	Jun	€mn	23783	24038	23680	22636
14:00	PL	Imports	Jun	€mn	22908	23169	22919	22451
16:00	US	Michigan index	Aug	pts	81.2		70.2	81.2
MONDAY (16 August)								
14:00	PL	CPI Core	Jul	% y/y	3.6	3.6	3.7	3.5
TUESDAY (17 August)								
09:00	HU	GDP	2Q	% y/y	16.0		17.9	-2.1
11:00	EZ	GDP SA	2Q	% y/y	13.7		13.6	-1.3
14:30	US	Retail Sales Advance	Jul	% m/m	-0.2		-1.1	0.7
15:15	US	Industrial Production	Jul	% m/m	0.5		0.9	0.2
WEDNESDAY (18 August)								
10:00	PL	Employment in corporate sector	Jul	% y/y	2.0	2.0	-	2.8
10:00	PL	Average Gross Wages	Jul	% y/y	8.8	8.9	-	9.8
11:00	EZ	HICP	Jul	% y/y	2.2		-	2.2
14:30	US	Housing Starts	Jul	% m/m	-2.2		-	6.3
20:00	US	FOMC Meeting Minutes	Jul/21					
THURSDAY (19 August)								
10:00	PL	Sold Industrial Output	Jul	% y/y	10.6	8.5	-	18.4
10:00	PL	PPI	Jul	% y/y	7.7	8.0	-	7.0
14:30	US	Initial Jobless Claims		k			-	375.0
14:30	US	Index Philly Fed	Aug		24.2		-	21.9
FRIDAY (20 August)								
10:00	PL	Construction Output	Jul	% y/y	7.1	6.7	-	4.4
10:00	PL	Retail Sales Real	Jul	% y/y	5.1	5.5	-	8.6

Source: Santander Bank Polska, Bloomberg, Parkiet
* in the case of a revision the data is updated

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